

Government of the District of Columbia
Office of the Chief Financial Officer



Jeffrey S. Dewitt
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Jeffrey S. Dewitt
Chief Financial Officer

DATE: January 7, 2014

SUBJECT: Revised Fiscal Impact Statement – Senior Citizen Real Property Tax Relief Act of 2013

REFERENCE: Bill 20-318, Committee Print as amended on December 16, 2013

This revised fiscal impact replaces the one issued for bill 20-318 on December 9, 2013. The revision reflects an amendment to the bill which reduces the continuous residency requirement from 25 to 15 years.

Conclusion

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. The bill will reduce the District's real property tax revenue by approximately \$5.13 million in FY 2014 and \$21.7 million over the FY 2014 through FY 2017 budget and financial plan. Its implementation is subject to appropriation in an approved budget and financial plan.

Background

The bill exempts D.C. homeowners from real property taxes if they have an adjusted gross income of \$60,000 or less annually, are at least 75 years old, and have owned a residence in the District for 15 consecutive years or longer. In order to claim the exemption, the homeowner must file an application with the Office of Tax and Revenue (OTR).

Financial Plan Impact

Funds are not sufficient in the FY 2014 through FY 2017 budget and financial plan to implement the bill. The estimated cost to implement this exemption is approximately \$5.13 million in FY 2014 and \$21.7 million over the FY 2014 through FY 2017 budget and financial plan.

The bill will exempt approximately 4,362 residents who currently meet the proposal's age, income and residency requirements.¹ The average real property taxes owed by seniors in the District are approximately \$1,200. Therefore, the estimated revenue reduction as a result of the exemption is \$5.1 million in FY 2014 and \$21.7 million over the four-year financial plan.

Additionally, OTR will require resources to implement the exemption. Specifically, OTR will need one exemption specialist and a one-time cost of \$50,000 for software modifications. The costs are detailed in the table below.

Estimated Fiscal Impact of Bill 20-318, Senior Citizen Real Property Tax Relief Act of 2013, Fiscal Years 2014 - FY 2017					
	FY 2014	FY 2015	FY 2016	FY 2017	4-Year Total
Number eligible ¹	4,362	4,405	4,449	4,494	-
Average Benefit ²	\$1,158	\$1,192	\$1,228	\$1,265	-
Reduction in tax collection	\$5,049,305	\$5,252,792	\$5,464,479	\$5,684,698	\$21,451,274
Personnel costs ³	\$38,136	\$79,322	\$82,495	\$85,795	\$285,748
Programming costs ⁴	\$50,000	\$0	\$0	\$0	\$50,000
Total operating costs	\$88,136	\$79,322	\$82,495	\$85,795	\$335,748
Total Negative Fiscal Impact	\$5,137,440	\$5,332,114	\$5,546,974	\$5,770,493	\$21,787,022

Table Notes:

1. Based on the number of residents claiming the senior citizen tax credit (18,265) pro-rated by the probability that these individuals have resided in the District for 15 years or longer.

2. Calculated by dividing the total real property taxes paid by seniors claiming the real property tax credit in TY12 (\$21.1 million) by the number of claimants (18,265).

3. Includes salary plus fringe benefits for one OTR exemption specialist at grade 11, step 5. It is assumed this FTE is hired for 6 months in FY 2014.

4. OTR would incur a one-time programming cost to make the necessary software modification to implement the exemption.

¹ It is not possible to determine the length of time an individual has resided in the District from their tax records; therefore, ORA estimated the likelihood of an individual in this age range to move using data from the U.S. Census Bureau. It is important to note from an administrative stand point it will be difficult to verify the bill's residency requirement.